

BULK ENERGY (TRADING) LIMITED
(Registered Number 2438821)

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2001



BULK ENERGY (TRADING) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and the audited financial statements of the group for the year ended 31 December 2001.

REVIEW OF THE BUSINESS

The group's principal activities remain those of coal wholesaling, bulk handling and stevedoring and terminal operation.

RESULTS AND DIVIDENDS

The group's profit for the financial year was £387,710 (2000 - £393,057). The directors do not recommend the payment of a dividend. (2000 - £Nil).

FUTURE PROSPECTS

The future prospects of the group are determined by the activities of its subsidiaries. The directors intend to secure the future of the group by their policies of responding to competition, motivating employees and reducing costs.

DIRECTORS AND THEIR INTERESTS

The following served as directors of the company throughout the year, and their interests in the ordinary share capital of the company at the end of the year are given below:

	'A' Ordinary £1 shares		'B' Ordinary £1 shares	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	Number	Number	Number	Number
Adrian J Williams	25,000	25,000	25,000	25,000
Andrew J Williams	25,000	25,000	25,000	25,000

CHARITABLE DONATIONS

Group companies have made total charitable donations of £11,296 for the year.

BULK ENERGY (TRADING) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to confirm their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



DAVID I FOREY
Company secretary
2 October 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BULK ENERGY (TRADING) LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 December 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors
Cardiff, 2 October 2002

BULK ENERGY (TRADING) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001	2000
	£	£
TURNOVER – INCLUDING SHARE OF JOINT VENTURE	7,824,509	11,757,370
Less share of turnover of joint venture	(1,186,100)	(5,973,310)
TURNOVER (Notes 1,2)	6,638,409	5,784,060
Change in stocks of finished goods	149,477	(129,375)
	6,787,886	5,654,685
Raw materials and consumables	(4,214,707)	(2,304,478)
Other external charges	(995,507)	(1,964,062)
Staff costs (Note 3)	(687,768)	(672,746)
Depreciation	(172,330)	(235,757)
Other net operating charges	(421,520)	(343,710)
Profit/(loss) on foreign exchange	7,084	(17,212)
	(6,484,748)	(5,537,965)
GROUP OPERATING PROFIT	303,138	116,720
Share of operating profit in joint venture	78,000	300,710
GROUP OPERATING PROFIT INCLUDING JOINT VENTURES	381,138	417,430
Profit on disposal of joint venture (Note 5)	23,526	-
Profit on disposal of tangible fixed assets	45,963	24,722
Interest receivable and similar income	82,795	70,735
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2,6)	533,422	512,887
Tax on profit on ordinary activities (Note 7)	(145,712)	(119,830)
PROFIT FOR THE FINANCIAL YEAR (Note 15)	387,710	393,057

Except for the joint venture which is discontinued, the above all relate to continuing operations.

The profit for the financial year includes all recognised gains and losses in the year.

There is no material difference between the results as disclosed in this profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 8 to 16 form an integral part of these accounts.

BULK ENERGY (TRADING) LIMITED

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 2001

	2001		2000	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 8)		1,872,763		1,964,933
Investments (Note 9)		-		931
Interests in joint ventures (Note 9):				
Share of gross assets	-		1,116,011	
Share of gross liabilities	-		(794,537)	
		-		321,474
		1,872,763		2,287,338
CURRENT ASSETS				
Stocks (Note 10)	282,909		133,432	
Debtors (Note 11)	509,396		897,112	
Cash at bank and in hand	2,581,277		1,689,498	
	3,373,582		2,720,042	
CREDITORS - Amounts falling due within one year (Note 12)	(830,969)		(980,726)	
NET CURRENT ASSETS		2,542,613		1,739,316
TOTAL ASSETS LESS CURRENT LIABILITIES		4,415,376		4,026,654
PROVISION FOR LIABILITIES AND CHARGES (Note 13)		(24,000)		(22,988)
		4,391,376		4,003,666
CAPITAL AND RESERVES				
Called up share capital (Note 14)		100,000		100,000
Share premium account (Note 15)		7,907		7,907
Revaluation reserve (Note 15)		1,336,982		1,336,982
Capital reserve (Note 15)		14,028		14,028
Profit and loss account (Note 15)		2,932,459		2,544,749
SHAREHOLDERS FUNDS (Note 16)		4,391,376		4,003,666

APPROVED BY THE BOARD ON 2 OCTOBER 2002


 Andrew J. Williams
 DIRECTOR

The notes on pages 8 to 16 form an integral part of these financial statements.

BULK ENERGY (TRADING) LIMITED

COMPANY BALANCE SHEET - 31 DECEMBER 2001

	2001	2000
	£	£
FIXED ASSETS		
Investments (Note 9)	98,921	98,921
CURRENT ASSETS		
Debtors (Note 11)	1,726,400	15,371
Cash at bank and in hand	2,555,799	1,673,668
	<u>4,282,199</u>	<u>1,689,039</u>
CREDITORS - Amounts falling due within one year (Note 12)	<u>(1,648,633)</u>	<u>(1,580,473)</u>
NET CURRENT ASSETS	<u>2,633,566</u>	<u>108,566</u>
	<u>2,732,487</u>	<u>207,487</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	100,000	100,000
Share premium account (Note 15)	7,907	7,907
Profit and loss account (Note 15)	2,624,580	99,580
SHAREHOLDERS FUNDS (Note 16)	<u>2,732,487</u>	<u>207,487</u>

APPROVED BY THE BOARD ON 2 OCTOBER 2002


Andrew Williams
DIRECTOR

The notes on pages 8 to 16 form an integral part of these financial statements.

BULK ENERGY (TRADING) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 17)	730,564	277,552
DIVIDENDS RECEIVED FROM JOINT VENTURE	327,300	200,000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	82,795	50,171
TAXATION		
Corporation tax paid	(50,753)	(31,970)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Disposal of investments	931	347
Purchase of fixed assets	(122,974)	(150,501)
Sale of fixed assets	88,777	40,020
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(33,266)	(110,134)
DISPOSALS		
Sale of joint venture	75,000	-
DIVIDENDS PAID	-	-
FINANCING	-	-
INCREASE IN CASH (Note 18)	1,131,640	385,619

The notes on pages 8 to 16 form an integral part of these financial statements.

BULK ENERGY (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001

1 ACCOUNTING POLICIES

(1) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, the accounting policies set out below and in accordance with applicable accounting standards.

(2) Basis of consolidation

The consolidated financial statements of the group represent the results of the three subsidiaries and joint venture (up to the date of disposal) for the year ended 31 December 2001.

(3) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

(4) Tangible fixed assets

Tangible fixed assets, other than freehold land and buildings, are stated at cost less accumulated depreciation. Freehold land and buildings are included in the financial statements at their revalued amount.

Depreciation has been provided so as to write down the cost of assets to their residual values on a straight line basis at the following annual rates:

Site equipment, plant and machinery	15%
Motor vehicles	25%
Computer and office equipment	15% - 25%
Buildings	15%

(5) Stocks

Stocks of finished goods are included at the lower of cost and net realisable value.

(6) Deferred taxation

Provision is made for deferred taxation using the liability method on timing differences arising between profits as shown by the financial statements and profits as computed for taxation purposes. Provision is only made to the extent that a liability is expected to crystallise in the foreseeable future.

(7) Foreign exchange

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Profit and loss account items are translated at the rate ruling at the transaction date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

BULK ENERGY (TRADING) LIMITED

2 SEGMENTAL INFORMATION

Analyses of geographical location and class of business for turnover and an analysis of class of business for profit on ordinary activities before taxation have not been given as, in the opinion of the directors, the disclosure of this information would be seriously prejudicial to the interests of the company.

3 STAFF COSTS

	2001 £	2000 £
Staff costs incurred during the year were as follows:		
Wages and salaries	626,115	612,345
Social security costs	60,261	57,328
Other pension costs	1,392	3,073
	<u>687,768</u>	<u>672,746</u>

The average number of persons (including directors) employed by the group during the year was:

	2001 Number	2000 Number
Production	12	11
Administration	9	11
	<u>21</u>	<u>22</u>

4 DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Aggregate emoluments	238,789	212,222
Company pension contributions to defined contribution schemes	-	-
Highest paid director:		
Aggregate emoluments	212,503	196,842
Company pension contributions to defined contribution scheme	-	-

All directors' emoluments were paid by subsidiary companies of Bulk Energy (Trading) Limited.

Retirement benefits are accruing to no (2000 : none) directors under defined contribution schemes.

BULK ENERGY (TRADING) LIMITED

5 PROFIT ON SALE OF JOINT VENTURE

	2001 £	2000 £
Profit on sale of investment in joint venture	23,526	-
Taxation	4,800	-

In February 2001 the group sold its interest in the joint venture Tower Westland (Coal Trading) Limited for £75,000 in cash.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2001 £	2000 £
Hire of plant and machinery	17,116	11,808
Auditors' remuneration	10,000	10,000

Fees paid to auditors for non audit services, including expenses, for 2001 were £20,000 (2000 - £16,000).

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Taxation on the profit for the year		
UK corporation tax based on profit for the year at 16% (2000 - 20%)	124,000	52,000
Less: Over provision in prior years	-	(1,830)
Deferred taxation (see note 13)	1,012	(16,040)
Taxation on profit on ordinary activities	125,012	34,130
Share of taxation on profit on joint venture	20,700	85,700
	145,712	119,830

BULK ENERGY (TRADING) LIMITED

8 TANGIBLE ASSETS

Group

	Freehold land and buildings £	Site equipment, plant and machinery £	Motor vehicles £	Computer and office equipment £	Total £
Cost or valuation					
At 1 January 2001	1,409,574	1,643,397	298,561	56,334	3,407,866
Additions	-	30,840	90,293	1,841	122,974
Disposals	-	(99,300)	(126,911)	(1,500)	(227,711)
At 31 December 2001	1,409,574	1,574,937	261,943	56,675	3,303,129
Accumulated depreciation					
At 1 January 2001	6,684	1,242,699	150,560	42,990	1,442,933
Charge for the year	503	110,875	55,940	5,012	172,330
Released on disposals	-	(84,289)	(99,707)	(901)	(184,897)
At 31 December 2001	7,187	1,269,285	106,793	47,101	1,430,366
Net book value					
At 31 December 2001	1,402,387	305,652	155,150	9,574	1,872,763
At 1 January 2001	1,402,890	400,698	148,001	13,344	1,964,933

The land and building were revalued on the basis of their aggregate open market value at 31 December 1997 by DTZ Debenham Thorpe, Chartered Surveyors. The transitional rules of FRS 15 have been applied and the valuation has not been updated.

The historical cost of land and buildings at 31 December 2001 was £68,276 (2000 - £68,276).

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

BULK ENERGY (TRADING) LIMITED

9 FIXED ASSET INVESTMENTS

Group

	2001 £	2000 £
Shares listed on the stock exchange at cost	-	4,912
Amounts provided for diminution in value	-	(3,981)
	-	931

During the year the company disposed of its listed shares.

	£
Interest in joint venture	
At 1 January 2001 – net assets	321,474
Disposals – net assets	(321,474)
At 31 December 2001 – net assets	-

Name of company	Country of incorporation or registration	Class of shares held	Proportion held	Nature of business
Tower Westland (Coal Trading) Limited	Wales	Ordinary	50%	Industrial coal suppliers.

In February 2001 the company disposed of its interest in the joint venture.

The groups' share of the results, asset and liabilities of the joint venture are as follows:

	2001 £	2000 £
Turnover	1,186,100	5,973,310
Profit before tax	78,000	321,530
Taxation	20,700	85,700
Profit after tax	57,300	235,650
Fixed assets	-	-
Current assets	-	1,116,011
Liabilities due within one year	-	794,537
Liabilities due after more than one year	-	-

BULK ENERGY (TRADING) LIMITED

9 FIXED ASSET INVESTMENTS (CONTINUED)

Company	2001 £	2000 £
Investment in subsidiary companies at cost	98,921	98,921

Details of subsidiary companies all of which operate in the United Kingdom are as follows:

Name of company	Country of incorporation or registration	Class of shares held	Proportion held	Nature of business
Westland Coal Supplies Limited	Wales	Ordinary	100%	Coal wholesaler and handler
Briton Ferry (Shipping Services) Limited	Wales	Ordinary	100%	Terminal operators, stevedores and warehousemen
Westland Coal International Limited	Wales	Ordinary	100%	Coal Import/export

10 STOCKS

Group	2001 £	2000 £
Finished goods	282,909	133,432

11 DEBTORS

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Trade debtors	453,862	-	771,272	-
Amounts owed by group undertakings	-	1,726,400	-	7,487
Amounts owed by joint venture	-	-	27,542	-
Corporation tax recoverable	-	-	12,500	-
Other debtors	22,775	-	41,416	1,252
Prepayments and accrued income	32,759	-	44,382	6,632
	<u>509,396</u>	<u>1,726,400</u>	<u>897,112</u>	<u>15,371</u>

BULK ENERGY (TRADING) LIMITED

12 CREDITORS - Amounts falling due within one year

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Bank overdraft	4,842	-	244,703	-
Trade creditors	243,615	-	396,465	-
Amounts owed to group undertakings	-	1,648,633	-	1,580,473
Other creditors including taxation and social security	176,848	-	116,988	-
Corporation tax	125,231	-	52,000	-
Accruals and deferred income	280,433	-	170,570	-
	<u>830,969</u>	<u>1,648,633</u>	<u>980,726</u>	<u>1,580,473</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company and by cross guarantees of group companies.

13 PROVISION FOR LIABILITIES AND CHARGES

Group	Provided £	2001 Unprovided £	Provided £	2000 Unprovided £
Accelerated capital allowances	24,000	(577)	22,988	(6,383)

An amount of £1,012 was charged to the profit and loss account during the year (2000 – £16,040 credit).

Company

There is no actual or potential deferred taxation liability.

14 CALLED UP SHARE CAPITAL

Group and company	2001 £	2000 £
Authorised:		
50,000 'A' ordinary shares of £1 each	50,000	50,000
50,000 'B' ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid:		
50,000 'A' ordinary shares of £1 each	50,000	50,000
50,000 'B' ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>

BULK ENERGY (TRADING) LIMITED

14 CALLED UP SHARE CAPITAL

Rights to income

The 'A' ordinary shares are entitled to any distribution en specie of shares held by the company in Westland Coal Supplies Limited

Rights to capital on a winding up

Other a return of capital the 'A' ordinary shares shall only be entitled to any shares held by the company in Westland Coal Supplies Limited.

Voting rights

Holders of the 'A' ordinary shares shall only be entitled to attend and vote at general meetings until they have received the distribution noted above.

15 RESERVES

	Capital reserve Group £	Revaluation reserve Group £	Share premium account Group £	Profit and loss account Group £	Share premium account Company £	Profit and loss account Company £
At 1 January 2001	14,028	1,336,982	7,907	2,544,749	7,907	99,580
Profit for the financial year	-	-	-	387,710	-	2,525,000
At 31 December 2001	14,028	1,336,982	7,907	2,932,459	7,907	2,624,580

Of the profit for the financial year £2,525,000 (2000 loss £100) is dealt with in the accounts of Bulk Energy (Trading) Limited.

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account.

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Profit / (loss) for the financial year	387,710	2,525,000	393,057	(100)
Opening shareholders' funds	4,003,666	207,487	3,610,609	207,587
Closing shareholders' funds	4,391,376	2,732,487	4,003,666	207,487

Shareholders funds are all equity in nature.

BULK ENERGY (TRADING) LIMITED

17 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	303,138	116,720
Depreciation	172,330	235,757
Movement in stocks	(149,477)	129,375
Movement in debtors	387,716	(156,357)
Movement in creditors	16,857	(47,943)
Net cash inflow from operating activities	730,564	277,552

18 ANALYSIS OF NET CASH

	2001 £	2000 £	Change in year £
Cash at bank and in hand	2,581,277	1,689,498	891,779
Bank overdraft	(4,842)	(244,703)	239,861
	2,576,435	1,444,795	1,131,640

19 CONTINGENT LIABILITIES

This company has given an unlimited guarantee to its bankers dated 2 March 1998 in favour of group companies, Westland Coal Supplies Limited, Westland Coal International Limited and Briton Ferry (Shipping Services) Limited.

In addition, the bank has a right of set off incorporated in a mortgage debenture dated 4 May 1990 and updated 24 January 1997 over all assets of this company as security for these companies' overdraft facilities.

20 RELATED PARTY TRANSACTION

During the year the group has made sales of £33,150 (2000: £413,712) to Tower Westland (Coal Trading) Limited a joint venture company.

Advantage has been taken of the exemption conferred by of Financial Reporting Standard Number 8, from disclosing transactions undertaken between this company and other members of the group, as the company prepares group accounts made publicly available.